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Letter of Comment No: 4671
File Reference: 1102-100

From: Andy_Wall@amat.com
Sent: Friday, June 18, 2004 9:58 AM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

I am writing to express my concerns about changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs).

As a stock holder of numerous companies that provide stock options to its employees, I find it disturbing that the FASB would consider assigning an expensed value to an item when it has no accurately measurable value. This would result in P&L statements that are less accurate and objective than the current system. I believe you can only accurately measure the value of an expensed stock option at the time it is expensed. Estimated values could result in expensing too little (because the stock performed better than expected) thereby artificially inflating company performance results or could result in expensing too much thereby artificially depressing performance results. The value given to stock options years in advance of an exercise date is just a wild guess which makes this potential practice a seriously flawed accounting method.

For instance, the majority of stock options I posses appeared to have great value when they were granted to me but currently hold little to no value now that they are actually vested. If these stocks were expensed in the year they were provided, they probably would have been grossly overvalued resulting in artificially reduced profits.

As an employee of one of these companies I am seriously concerned about the potential impact of expensing options. If expensing options reduces profitability (which it will) many companies may be forced to lay-off workers in order to maintain previous levels of profitability. As a result, companies may choose to only grant stock options to its executives or eliminate them altogether. This would have an adverse effect on employees because they will lose an important part of their compensation plan. It will impact the company because they will lose a critical tool used to compete for the best workers and retain current employees.

On a more personal level, I have seen how stock options are important to the average employee. Friends and co-workers have used money gained from stock options to help them buy houses, cars, adopt children, pay off medical bills, take family vacations, and a host of other activities that would not have occurred without stock options. I hope to use my stock options to fund my children's education. Should the FASB over regulate options the result could be the loss of this benefit.

In summary, please consider carefully the impact of over regulating the practice of stock options. The end result could be bad for employees, investors, and companies as it will may lessen the financial compensation and job security of employee, reduced the accuracy of the P&L relied on by investors, and make it harder for smaller, volatile companies to recruit and retain good people.

Instead, I would recommend a systemized method of reporting options without incorporating a guessed value into the P&L. This would allow stock purchasers to make their own judgment call concerning the impact of stock options when making a purchase decision.

Thanks for your consideration in this matter,

Andy Wall
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